

TO: James L. App, City Manager
FROM: Mike Compton, Director of Administrative Services
SUBJECT: Transit Triennial Performance Audit
DATE: June 17, 2003

Needs: Present the results of the Triennial Performance Audit (TPA) of the City transit system.

Facts:

1. Transportation Development Act (TDA) regulations require all funding recipients to undertake a performance audit every three years.
2. The TPA is administered under the auspices of San Luis Obispo Council of Governments.
3. The TPA was performed by Moore & Associates located in Valencia, California, the same firm that prepared the City's Short Range Transit Plan.
4. The TPA generally covers three aspects of City transit operations:
 - a. Compliance with TDA regulations
 - b. Prior audit recommendations
 - c. New findings and recommendations
5. Belynda Johnson of Moore & Associates will be presenting the TPA to the Council at their June 17, 2003 meeting.
6. A copy of the executive summary of the TPA report is attached. A full copy is available upon request in Administrative Services.

Analysis
and
Conclusion:

The audit was conducted in accordance with the *Performance Audit Guidebook* published by the California Department of Transportation as well as *Government Audit Standards* published by the U.S. Controller General.

There were no significant findings. The TPA audit did note that the City has met or partially met three of the four prior recommendations and made four new recommendations as follows:

1. Standardize procedures for collecting and reporting TDA required measures according to appropriate definitions
2. Consider implementing management oversight of transit operations through additional staffing or contract.
3. Fully implement the marketing plan for transit services.
4. Improve system monitoring to determine efficiency and effectiveness of individual routes as well as the overall system.

With regard to compliance, the TPA noted that the City had administered TDA funding in an efficient and effective manner and was in compliance with TDA regulations with one minor exception. This one exception relates to increases in operational costs exceeding 15% during each of fiscal years 2000 and 2002. TDA regulations limit operational cost increases to less than 15% unless there is a corresponding improvement to performance indicators. Given the nature of the cost increases, staff believes that the exceptions were justified. The two exceptions are noted as follows:

1. Implementation of demand response services (dial-a-ride) from 8:00 p.m. to 2:00 a.m. This was a costly service to operate. After six months of very little public use, the Council terminated the service.
2. In the 2002, the cost increase was associated with providing higher staff wages to recruit and retain staff as well as the implementation of the third fixed route, Route C contributed to the higher operational costs. Both of these changes did not improve performance indicators, at least immediately.

In conclusion, staff believes that it was generally a favorable audit and is already moving forward with implementing the recommendations contained in the TPA. The timeline for implementation is three (3) years.

Fiscal
Impact:

None, presentation only.

Options:

- a. Receive and file; or
- b. Amend, modify, or reject the above option.